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C.E. Lesson: Pharmacist and cancer patient—p. IP17

News highlight: NACDS polygraph plan—p. 4

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DRUG STORE NEWS

Vol. 9/No. 7 **Serving chains, wholesalers and high-volume independents for 58 years** Published by Lebhar-Friedman Inc. March 30, 1987

Pacific Lighting retail holdings

Thrifty	571	25
Thrifty Junior	34	25
Big 5	94	Plan to open a total of 20 sporting goods stores
Michigan Sporting Goods	24	
Gart Bros.	16	

Also, by 1990, the reconfiguring of the Thrifty stores to Perfectos is expected to be completed.

Sources: Pacific Lighting and Thrifty Corp.

Haft SGC takeover bid: 'For real' or quick profit?

Where the offer stands

Supermarkets General Corp. at presstime was weighing a $1.62 billion takeover offer from Dart Group Corp., but executives of the powerful supermarket and combo store chain have reportedly expressed a strong desire to keep the company independent and are exploring other options simultaneously. Those options include seeking another "white knight" suitor, taking the company private, buying back a block of stock and making an acquisition of their own.

War chest available

Dart Group made the unsolicited offer to buy SGC for $41.75 a share on March 6, in a letter sent to SGC chairman Leonard Lieberman from Dart chairman Herbert Haft and president Robert Haft. The Hafts termed the offer a "friendly" one and said in the letter that Dart had already arranged financing for the

See **Offer,** *page 61*

By Dave Vaczek

WOODBRIDGE, N.J. — What are the Hafts after this time?

Dart Group's $1.62 billion offer for Supermarkets General looks to many like a rerun of its quick-profit investment plays on other food and drug chain targets.

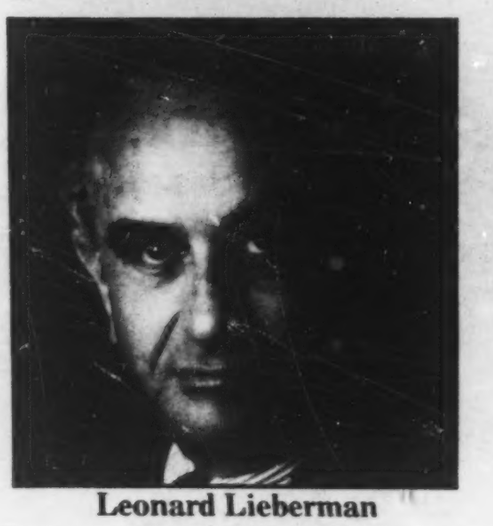
But other industry experts disagree. They feel the Hafts have finally identified the "pearl" that will allow them to run a major league company.

Dart put the $4 billion (annual sales) food and drug chain "in play" among potential investors when it offered $41.75 a share, about 20% more than the $35.50 the shares were selling for on Wall Street. The Hafts offered SGC management what they termed a friendly "business combination."

Analysts call bid fair

Analysts generally characterized the Hafts' bid as fair for SGC, which some considered undervalued, along with other supermarket companies. SGC traded as low as $23 a share in January, when rumors of a Haft raid first surfaced.

See **Hafts,** *page 61*



Leonard Lieberman

One analyst believes the Hafts must induce Leonard Lieberman and other top officers to stay and manage the company by offering them equity positions.

Parent's plan bodes well for Thrifty growth

By Pamela Krein

LOS ANGELES — The payoff for becoming a subsidiary of Pacific Lighting may have just improved for Thrifty Corp.

Not only have Thrifty's new store opening plans dramatically increased since the company was acquired last August by Pacific Lighting, but now the chain may see even greater growth as the parent announces plans to sell its real estate division—valued by analysts to be worth at least $300 million.

Although Pacific Lighting is not speculating where exactly the additional funds will go, industry observers expect some of the money to make it into the hands of Thrifty.

Thrifty originally anticipated opening 50 drug stores during 1987—25 conventional drug and discount stores and 25 junior stores. This target, however, is already expected to be "exceeded by a considerable margin" for the junior stores, according to Anthony Stypinsky, Thrifty vice president/director of maintenance and construction.

The availability of closed stores—such as Gemco, Zody's, older Ralphs and Safeway stores—has widened the real estate opportunities for growth in many markets, Stypinsky explained. "In the last two years, many more of

See **Thrifty,** *page 61*

Mastrian back at Gray to free Bellini to seek $

CLEVELAND — In the latest of a continuing series of management shuffles, Sherwin-Williams has named paint division executive Jim Mastrian to again replace Carl Bellini as acting president of its Gray Drug Fair division.

The appointment of Mastrian is a temporary one, a Sherwin-Williams spokesman stressed, and is designed to give former Gray president Carl Bellini more time to raise the estimated $150 million to $200 million he will need to purchase Gray's 358 stores through a leveraged buyout.

Accommodates Bellini

"Sherwin-Williams reached a mutual agreement with Mr. Bellini that he step aside for the time being, in favor of Mr. Mastrian," the spokesman said. "[Bellini] is going to spend full-time working on his financing package for Gray."

See **Bellini,** *page 61*

Perry applies controls to rebuild net profits

By Jim Frederick

TROY, Mich. — Through stringent cost controls and slowed expansion, Perry Drug Stores expects to regain its earnings momentum in the latter part of fiscal 1987, chairman Jack Robinson told shareholders at the annual meeting here on March 17.

In 1986 and the first quarter of fiscal 1987, Robinson said, record sales and increases in both market share and same-store sales were offset by rising costs and shrinking gross profit margins in the drug stores. "Our expenditures increased dramatically," Robinson said. "These expenditures have included liability insurance, health benefits, interest expenditures related to our acquisitions and overall operating expenses."

Margin slippage

Margins also came under severe pressure. "The margins slipped because of the intense competitive environment in third-party prescriptions and price increases, which, because of contractual relationships, we could not reflect in our price structure," Robinson told shareholders.

"Some margin slippage also is attributable to a remerchandising program we instituted last year, a program designed to have our drug stores carry a more traditional assortment of products. We believe this strategy is essential if we are to respond to today's consumer demands and the drug store shopping habits of the future," the chairman added.

Following the annual meeting, Mickey Kole, Drug Store Division president, told *Drug Store News* the remerchandising process was ongoing as the chain took a more marketing-oriented approach to its drug store customer, who is predominantly female.

"Perry is going to be a very

See **Perry,** *page 61*

'We want to . . . integrate, consolidate, renovate and upgrade what we have. . . .'

—Jack Robinson
chairman, Perry Drug Stores

LATE NEWS

- WOONSOCKET, R.I. — CVS, which stands to save up to $300,000 next year from repeal of a local wholesale inventory tax, said it will hire 300 to 500 new office workers to staff offices that will be enlarged in this blue-collar city over the next few years.
- PITTSBURGH — Thrift Drug has expanded Trust Health Care, its durable medical equipment delivery and installation program, from the Atlanta region into stores in Pennsylvania, Delaware, Maryland, West Virginia and New Jersey. DME is supplied by an outside vendor.
- ROCKY RIVER, Ohio — American Financial Corp. has completed the sale of its 44% controlling interest in Fisher Foods to a consortium of local wholesale and supermarket companies, including American Seaway Foods and Stop and Shop Companies.

In this issue: Inside Pharmacy

- Pharmacy in 21st century
- Drugs of '86
- Speak Out on condom ads

NEWS IN BRIEF

Fantle reported up for Fay's board post

LIVERPOOL, N.Y. — Sheldon "Bud" Fantle, former Peoples chairman, president and ceo, was expected at presstime to be elected to Fay's Drug Board of Directors this month to fill a vacancy. He would then stand for election at the chain's annual meeting in May to a three-year term.

The departures of Fay's president Dan Herrmann and cfo Peter Rhodes earlier this year left vacancies on the board.

Fantle retired from Peoples in January after 40 years with the chain.

Kerr Drug opens 70th store

RALEIGH, N.C. — Kerr Drug opened its 70th drug store here March 1 in Greystone Village, a new upscale residential development.

The store has Kerr's standard 9,600-sq.-ft. format (8,000-sq.-ft. selling). It includes a middle promotional aisle and a year-round gift section.

The chain leads in stores in the four-county metro market with 34 units. Having opened its first store in 1950, Kerr plans to roll out 10 to 12 in 1987, as it aims for 1987 fiscal year sales (ended June 30) of $120 million.

Malone & Hyde exec Hackney dies

MEMPHIS — Ray Hackney, R.Ph., senior vp-pharmacy for Malone & Hyde Drug Stores, died of cancer in March at the age of 52.

A graduate of the University of Tennessee College of Pharmacy, Hackney was the chain's first practicing pharmacist and was instrumental in forming Super D in 1966.

He became the chain's first director of pharmacy in 1971 and the first Super D franchise holder in 1974. Early in 1978, he returned to chain headquarters as vp-pharmacy. He was a member of the Pharmacy Affairs Committee of the National Association of Chain Drug Stores.

The family has requested that any memorials be sent to the American Cancer Society. Malone & Hyde is in the process of establishing a Ray Hackney Pharmacy Scholarship Fund.

Wholesaler William Walker Jr. dies

BIRMINGHAM, Ala. — William Watson Walker Jr., general manager of the Walker Drug wholesaling company based here, died Feb. 21 after an extended illness. He was 75.

Walker had served as general manager since 1945, 15 years after his father, W. W. Walker Sr., founded the business. Active in company affairs until a few weeks before his death, he led the company to prominence in the state, serving 750 stores. Under his leadership, Walker Drug grew to become the largest independent wholesaler in the Southeast.

He was a native of this city. He graduated from the University of Tennessee School of Pharmacy.

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Vol. 9, No. 7 March 30, 1987

Disposable cameras debut to mixed retailer reviews

Can disposable cameras follow in the successful footsteps of the disposable razor?

Although leading manufacturers—Kodak and Fuji—think consumers are ready for the one-time-use cameras, most drug store chains are taking a wait-and-see attitude, according to a nationwide survey conducted by *Drug Store News*.

Recently introduced, the disposable cameras are viewed by Fuji and Kodak as an ideal camera for people who forget their camera or who don't want to take a good camera to a chancy location—such as the beach.

Processing of the cameras' film may also supply retailers with added dollars, according to the manufacturers, but for most retailers it is still too early to predict.

The 35mm Fujicolor Quick Snap will be available in April and is expected to retail under $10, while the Kodak Fling—using 110 film—will be available this summer and is expected to retail at $6.95. Both manufacturers tested a 110 disposable camera in Japan last year, where the products were well received.

Merchandising Spotlight

Drug chains skeptical

Most drug stores, however, are still somewhat skeptical of the disposable cameras' long-lasting viability and marketability. Both manufacturers admit there will be little advertising and that the best places for the cameras will be in resort and vacation spots.

However, the market for the disposables may still only be at the actual site of a tourist attraction and not necessarily in the surrounding area.

In Hawaii, Crafts' Drug had just recently heard of the cameras and is undecided as to whether the product will be a popular seller. According to G. Robert Craft, president/general manager/buyer, he may try the cameras,"but I'd have great reservations about it."

Best Buy Drugs in West Palm Beach, Fla., predicts the cameras could be a "very viable item, because people have a tendency to forget things in haste," according to buyer Petty Schaudenecker. Although Schaudenecker could

See **Cameras,** *p. 61*

Retailers aren't decided yet how they'll respond to a fresh idea in photo, disposable cameras. The 110 format Kodak Fling (left) will retail below $7, and the 35mm Fuji Quick Snap at less than $10.

Longs' new prototype store focuses on appeal to women

PLEASANTON, Calif. — Longs Drug Stores plans to cater more to female customers with its new prototype store slated for this market in September. According to a survey conducted by the company, 80% of their customers are women.

Using a mock-up of a store interior, Longs is experimenting with using softer pastel colors to replace its browns and burnt oranges. The wood backing currently being used for department signage may also go under the new plan, explained Longs project manager Al Arrigoni at a recent SPECS (Store, Planning, Equipment, Construction Services) seminar here hosted by *Chain Store Age Executive*.

Longs is looking at doing "major remodeling of our interiors," noted Arrigoni, while concentrating on five major issues: the importance of the pharmacy; keeping a clean image; avoiding trendiness; appealing to the female customer; and keeping an eye on costs.

Al Arrigoni

New interior direction

Arrigoni said the company is still working on the details for the prototype, since "we have some controversy within our organization" about the direction of the new interiors. The pastel colors may be acceptable for some sections of the store, he said, but there has been some concern by the district managers as to whether these colors would be appropriate in more masculine areas, such as liquor.

Although the new prototype will offer some variations, Longs plans to keep its basic store layout the same. However, the company will work toward adapting a more unifying band above the wall fixtures—which currently varies in height throughout the store. Other changes call for maximizing display space and reducing the photo service counter.

Arrigoni said merchandise "that doesn't necessarily need service" will be pulled out of the photo counter and merchandised on walls or gondolas, allowing "the customer better access."

Once made final, the prototype will be used in Longs' new stores, but because of the company's decentralization format, use of the new interiors by older stores will be evaluated on an individual basis.

The prototype represents one of 12 stores the company is opening this year and the only one to be outfitted with the newly designed interior. The company currently operates 222 stores from its Walnut Creek, Calif., headquarters.

Tenn. probes Medicaid fraud

NASHVILLE — Twenty-three Tennessee pharmacists could face 12 years in prison, $6,000 in fines and possible revocation of their licenses from the Board of Pharmacy if convicted as a result of a statewide sting operation investigating Medicaid fraud.

An undercover operation conducted by the Tennessee Bureau of Investigation of approximately 100 drug stores in middle and eastern Tennessee uncovered 23 pharmacies substituting generics for branded drugs without the physician's permission and then billing Medicaid for the higher-priced drug, according to investigators.

Ronald Graham, R.Ph., director of pharmacy services for the Tennessee Medicaid program, said the investigations are ongoing, with an expected sweep of the western portion of the state.

TRENDS

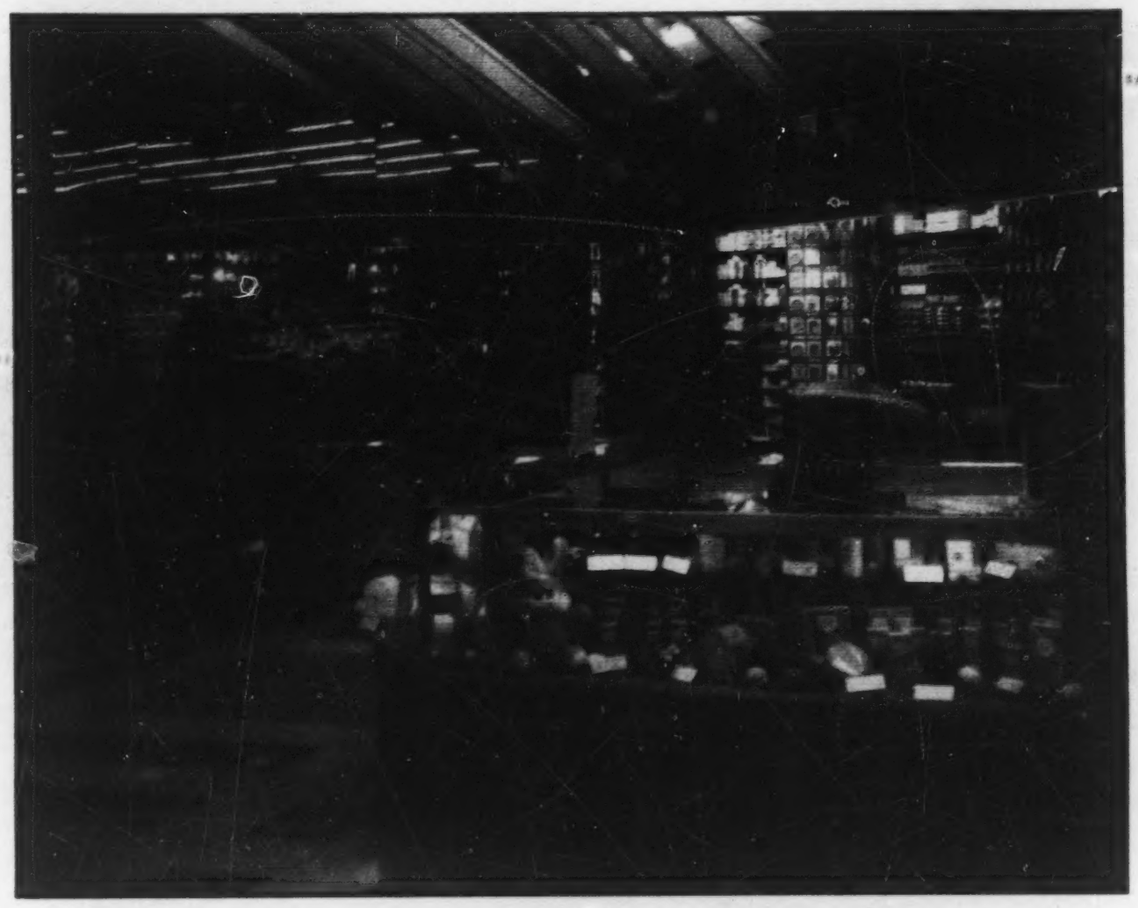
Buyers scent sales rise in '87 fragrance debuts

Mass market fragrance sales, which were flat in 1986, flat last Christmas and flat overall for the past three years, may perk up in 1987 and 1988.

For the first time in several years, a significant number of new products are about to hit the market, and buyers and manufacturers alike are anticipating at least the possibility of some real unit growth, even though it may be minimal.

According to A. C. Nielsen, the women's mass fragrance market has been down in unit sales for the past two years, while the men's mass segment has been down for the past three years.

But at this writing, about four new major women's mass market fragrances are in the process of being launched, two teen mass fragrances were recently introduced to the market and one is in test, and three major men's mass prestige lines and one upscale line are debuting. What's more, two relaunchings of classic women's mass prestige brands are under way and two major launches are in progress for the upscale women's specialty and department store market.



Drug store chains are trying to court the fragrance shopper by giving a more upscale 'department-store' look to their fragrance departments.

Line extensions

There are also several interesting line extensions poised to hit the mass market, including Revlon's addition of a musk fragrance to its Chaz line and MEM's introduction of a new light formulation to its Love's teenage fragrance line and its Heaven Sent young adult line.

In 1986, there was also the very successful launch of Lady Stetson in the women's mass market segment, as well as the more qualified launch successes of Prince Matchabelli's Masquerade mass prestige women's fragrance and Jovan's introduction of its new line of Adidas men's fragrances.

Retailers, manufacturers and analysts who follow the industry say that all this new activity may be just what the mass prestige fragrance category needs to revitalize sales.

New products key

"The vitality in the market is always due to new products," said Lorraine Mahoney, senior vp-new fragrances for Charles of the Ritz, which is launching Xi'a Xi'ang this year.

"The life cycles of the classic brands are shortening," she pointed out. "And that's partly because people like to try new things. Every time a manufacturer brings out a new good classic fragrance, it will attract a new user base."

"We're in a slump now, and we have been in a slump for a while," said Scott Kole, vp-training for Jacqueline Cochran, which has two launches set for 1987: Bowling Green, an upscale line of men's fragrances, and a new bath and body fragrance line for l'Air du Temps.

According to Kole, sales of overall fragrances have been soft because "boredom has been taking over."

"The few people who are still bringing out innovative products and who are doing creative marketing, like Estee Lauder, are doing fine," he said. "The public today doesn't want to hear claims for something ordinary. They want to hear advanced claims for exciting new products."

Men's fragrance trends

Perhaps because prestige brand manufacturers have been expanding their upscale lines of men's designer fragrances and promoting them aggressively to the higher-end user, the overall men's fragrance segment is showing stronger growth in department stores than in most drug stores.

At a recent Fragrance Foundation seminar, buyers for several major department store chains were reporting that at Christmas, their sales in men's fragrances were up about 30% over last year. Walgreens' Bill Geary was also reporting increases in the 20% range.

However, Walgreens' success with the fragrance segment of men's toiletries seems to be the exception rather than the rule in the chain drug store industry.

In chain drug stores

Most drug store fragrance buyers say that while certain brands in the mass prestige segment, like Chaps and Stetson, perform well for them, the men's fragrance segment overall has not yet achieved what they think is its full potential in their stores. Growth rates, many buyers say, are still flat in unit sales and are only up about 4%-8% in dollar sales.

Some buyers believe this is partly because most manufacturers haven't been innovative enough with marketing men's fragrances and partly because chain drug stores do not give the fragrance segment of men's toiletries as much retail space and merchandising pizzazz as do chains like Bloomingdale's or Macy's or even J. C. Penney and Sears.

In the mass men's fragrance market, too, there has been less new product activity to spark sales. Last year, there was only one major launch in the men's mass prestige fragrance category: Jovan's introduction of Adidas for Men.

And so far, the Adidas line, like the men's fragrance segment as a whole, has been doing much better in department stores than in drug stores.

At Eckerd Drug, corporate merchandise manager Karen Durham reported that at Christmas, Adidas performed "disappointingly" in Eckerd stores. But she added that this may have been because Eckerd only stocked two sku's, in contrast with Walgreens, which carried most of the line.

At Walgreens, where the brand was merchandised as a line rather than just individual sku's, sales were much better. Bill Geary, Walgreens' divisional merchandising manager for fashion, said the Adidas line did well in his stores and had strong promotional backing from Jovan.

Some retailers and manufacturers are taking heart from Walgreens' overall experience with men's fragrances.

One buyer said the key to unlocking the potential of the men's fragrance segment is for the manufacturer and retailer to work together to build sales.

Potential is there

Others say the men's segment should be the next growth area in chain drug stores because this is where the opportunity lies to create new users and increase the frequency of use.

Dan Deegan, Beecham's senior marketing vp, like many other marketers in the fragrance industry, believes the men's segment logically has to grow faster now than the women's segment.

"The men's segment is evolving," he said. "It's a slow, steady process, but it's building.

"Women, on the other hand, had their heyday in the 1970's and early 1980's. Their glory days are behind them now. It's harder to get more usage. And they're not brand loyal. Something new comes out and they switch and try it.

See ***Scent,*** *page 12*

Fragrance sales overview

According to the most recent Nielsen estimates, mass market sales of men's fragrances grew faster in 1986 than mass market women's fragrances did.

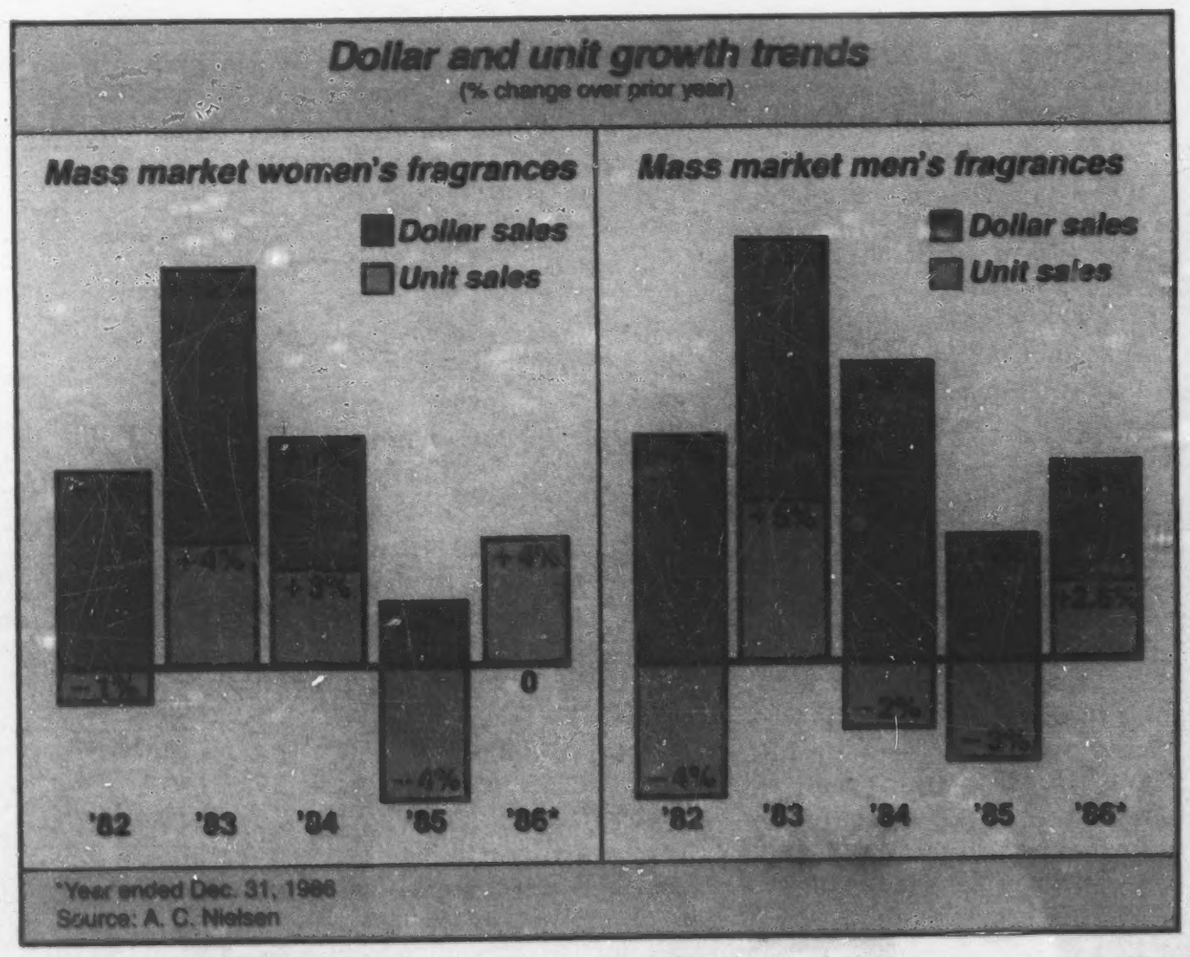
Mass market sales of men's fragrances for 1986 were up 6% to about $500 million. In 1985, sales were up 4% to $471 million.

Sales flattened

However, Nielsen reports that unit sales were almost flat for 1986. The growth in the men's segment, therefore, was more attributable to price increases than to real category growth. Nielsen says unit sales of mass market men's fragrances were up just 2.6% in 1986 and down 3% for 1985.

In the women's segment, sales for 1986 were flat at $767.7 million. Unit growth, however, was 4% for the same period. Total 1985 sales were up only 2% in dollars to $769 million, while units were down 4%.

Nielsen's estimates are for all fragrances sold in drug and mass merchandise outlets, but do not include food or department store sales.



TRENDS

Fragrance preview

Ad dollars bolster women's scent introductions

In the women's segment, the 1987 launches in the mass prestige market will be Cosmair's Glorious, which will also be available to department stores and better mass merchandise stores; Revlon's Intimate, which will be a completely new mass prestige line aimed at the 18- to 34-year-old woman rather than at the teenagers who made last year's Intimate Musk popular; Charles of the Ritz's Xi'a Xi'ang; and Max Factor's Le Jardin d'Amour.

Faberge will be supporting its 1986 relaunch of Tigress, and Beecham will be doing the same for its recent relaunch of Jungle Gardenia. Prince Matchabelli will be continuing its television and print support for Masquerade, plus distributing some four million scented inserts in magazines during the first half of 1987.

Mass prestige brands of men's fragrances increase share

	Share of dollars		Share of units	
	1985	1986	1985	1986
Mass prestige brands ($8-$20 price range)	55%	59%	33%	35%
Value-priced brands ($2.50-$7.50)	45	41	67	65

Source: Manufacturer estimates

More ad money

Because most fragrance manufacturers tend to believe the best way to grow in the women's segment is to steal share from weaker brands, there will be a lot of advertising money spent in 1987 to support the new launches as well as to protect the share of dominant brands like Vanderbilt, Lady Stetson, Charlie and Jontue.

Cosmair, so far, is committed to spending the most money in the category. Cosmair's management says it will spend a full $13 million to support the launch of Glorious, plus another $7 million to keep Vanderbilt in its No. 1 dollar share position.

David Schulte, Cosmair's general manager of retail fragrance sales, said he believes that spending $20 million to support two brands "will have to generate some new excitement and interest in the women's category."

Revlon also says it will spend at least 45% more on advertising in 1987. One source said "a substantial amount" has been allocated to support the launch of Intimate, while additional millions have been slotted to build and protect share for Revlon's two most successful women's fragrances, Charlie and Jontue.

Fringe brands

At Faberge, executive marketing vp Mark Goldstein thinks because the women's fragrance segment is at maturity, it will be difficult to squeeze out "real growth" for the segment overall. However, he does believe that the best supported brands will be able to steal shares from older fringe brands like Geminesse, Tabu and Chimere.

"More and more, you're going to see the stable brands—like Vanderbilt, Charlie, Enjoli, Le Jardin—carrying the bulk of the volume. As the new products emerge as successes, you're going to see more fringe brands drop out."

Mary Manning, director of new product development at Coty, agrees with Goldstein, but says that in 1987 and 1988, the women's fragrance segment may at least see some "minimal growth" in real sales.

Shorter product life

"I think, basically, the new product activity will cause people to switch brands rather than to increase consumption or bring many new users into the category," she said. "There's no doubt that you're seeing a much shorter product life cycle these days.

"However, Emeraude and other classic brands did very well overall in 1986, and I think the classics will continue to keep a strong core brand-loyal following."

At Beecham Cosmetics, Val Marron, brand manager for Jungle Gardenia, said that while there may not be a dramatic leap in sales in 1987 or 1988, there may be a "smaller takeoff in women's fragrances."

"No manufacturer of mass fragrances is going to spend $15 million on a brand like they do with Obsession," she said, "but you'll see more manufacturers spending where it counts directly to the points that they most want to communicate to their target audience."

"The successful brands in 1987," Goldstein sums up, "will be the ones that find a unique positioning, the ones that promise the consumer something new and different.

"But as far as real growth goes, I think that the $2.5 billion fragrance industry is close to the saturation point. We're like the hamburger fast food industry now. It's like McDonald's vs. Burger King. The question to answer is who will gain the most," he said.

"I think in the mass market, you may see a return to higher price points in 1987. Except for building trial, fragrance is not a price-driven category, and in 1987 most of the new launches are for classic style brands like Intimate and Glorious.

"Nineteen eighty-seven may be the year that we see the element of class really start to emerge as an important issue in the mass distribution stores."

Teens fickle on scents

In the teenage girls' segment, Revlon will be supporting its 1986 Intimate Musk fragrance and Factor will be trying to get Magic Beat up to tempo.

Colgate, which is testing a teen fragrance called Maniac, may or may not jump into the fray. Their marketing department says it's too soon to say what will happen with Maniac.

Buyers say that musk, which appeals mainly to teenagers, along with floral scents and bath and body fragrances, are the strongest growth segments now in women's fragrances. They worry, however, that teen users are too fickle to create long-term, "classic" best sellers.

Mark Goldstein, executive vp-marketing at Faberge, calls the prime user of musk, the 13-21 age group, "generically loyal." But he adds that "a lot of brand-switching" best characterizes users in this segment.

'87 scent sales budding

Continued from page 11

"Men are more brand loyal and once you get them to try a brand, if they like it, they'll stay with it," Deegan added.

Ken Freeman, vp-marketing at the Shulton Group, also believes the men's segment will generate stronger growth in 1987, partly because of all the new product activity, but also because he thinks men are starting to use a greater variety of fragrances.

Several years ago, Freeman said, men tended to use one fragrance for all occasions.

Growth segments

But today, "men are starting to use a wardrobe of fragrances, just as women do," he said. "The trend, too, is for men to want a more sophisticated fragrance for at least some occasions, which is one reason why we're seeing the mass prestige brands like Chaps and Stetson growing faster than the value priced brands like Old Spice or English Leather."

Retailers also agree that in the last five years or so, the growth segments in the men's category have been the mass prestige brands—Chaps, Stetson, Jovan Musk and Chaz.

Colognes today tend to outsell the lower priced aftershaves, they add, and musk sales are growing at rates of between 15% and 20% a year, which is good performance in a flat segment.

Many of the new lines being introduced this year in the men's segment—Cochran's Bowling Green, Houbigant's Sportsman, Shulton's Night Spice and Colonia's Dallas—are positioned to appeal to the type of user who supports either brands like Chaps and Stetson or the more upscale brands like Pierre Cardin and Polo.

"Stetson and Chaps are the clear-cut leaders in the prestige mass men's fragrance," said Colonia's president, Larry Pesin, "so we see that as an opportunity."

Fragrances: Major product launches or relaunches
(1986-87-88)

Brand	Company	Launch date	Initial distribution	Price points
Women's fragrances				
Lady Stetson	Coty	Summer '86	Mass & dept. stores	$7.50-$15
Masquerade	Prince Matchabelli	Winter '86	Mass & dept.	$9.50-$35
Wild Flower Musk	Houbigant	Fall '86	Mass	$6
Wild Flower Cologne	Houbigant	Fall '86	Mass	$6
Glorious	Cosmair	Spring '87	Mass & dept.	$12.50-$45
Notorious	Cosmair	n.a.	Dept. & specialty	n.a.
Intimate	Revlon	Spring '87	Mass & dept.	$9.50-$17
Xi'a Xi'ang	Charles of The Ritz	Fall '87	Dept. & limited mass	$10-$150
Le Jardin d'Amour	Max Factor	Spring '87	Mass & dept.	$5.50-$13.50
Passion	Parfums Int. Prince Matchabelli	Fall '87	Dept. & specialty	n.a.
Teen fragrances				
Intimate Musk	Revlon	Spring '86	Mass	$7.50-$11.50
Michael Jackson's Magic Beat	Max Factor	Winter '86	Mass	$2.95-$8.95
Heaven Sent Light Musk*	MEM Co.	Spring '87	Mass	$4.50
Love's Light Musky Jasmine*	MEM Co.	Spring '87	Mass	$5.95
Maniac	Colgate	Not set yet in test markets	Mass	$5.75-$7
Women's relaunches				
Jungle Gardenia	Beecham	Spring '86	Mass & dept.	$6-$12
Tigress	Faberge	Winter '86	Mass & dept.	$7-$26
Men's fragrances				
Adidas for Men	Beecham	Fall'86	Mass & dept.	$7.50-$25
Bowling Green	Jacqueline Cochran	Spring '87	Dept. & specialty	$15-$40
Sportsman	Houbigant	Spring '87	Mass	$10
Dallas	Colonia	Fall '87	Mass	$7.50-$14
Night Spice by Old Spice	Shulton Group	Fall '87	Mass	$7.50-$15
Chaz Musk*	Revlon	Spring '87	Mass	$8.75-$9.75

*Line extension
Source: Drug Store News Survey

Segmentation, price hikes fan cigarette profits

In an era of steadily declining demand, cigarette manufacturers continue to wage a furious battle for market share and profits with a two-pronged strategy: endless brand segmentation and price increases that have boosted the retail charge per pack about 75% since 1980, to about $1.10.

With domestic cigarette sales now well over $30 billion, that strategy is not hard to understand. Each share point represents hundreds of millions in annual revenues, and the steady price hikes for cigarettes—another 9% in 1986 over 1985 levels—have been more than enough to offset the continuing falloff in unit sales.

Cigarette sales in units declined another 2.1% last year, according to tobacco industry analyst John C. Maxwell Jr. of Furman, Selz, Mager, Dietz and Birney. That was on top of about a 1% decline in 1985.

Brand	Manufacturer	Market share	
		1985	1986
Marlboro	Philip Morris	22.4%	22.9%
Winston	RJR Nabisco	11.4	11.3
Salem	RJR Nabisco	7.9	7.8
Kool	Brown & Williamson	6.8	6.4
Benson & Hedges	Philip Morris	4.6	4.4
Camel	RJR Nabisco	4.3	4.3
Merit	Philip Morris	4.1	4.0
Newport	Lorillard	3.4	3.9
Pall Mall	American Brands	3.5	3.2
Vantage	RJR Nabisco	3.3	3.2
Top 10 total		71.7	71.4

Health concern impact

The trend is expected to continue as health concerns and social pressure against smoking in public heat up. Regulations banning smoking in public places like restaurants, and moves in Congress to outlaw all cigarette advertising could also affect demand.

"I expect sales to decline another 1% to 2% this year," said industry analyst Diana Temple of Salomon Brothers, "but with the lower tax rate, the price hikes and interest expenses declining, there will probably be another 15% growth in earnings for the tobacco industry this year."

What benefits retailers will reap from the surge in profits for cigarette companies, however, remain to be seen. Chain drug merchandisers report gross margins of only 8%-10% on cigarettes, before factoring in lucrative display incentives, and stiff competition for the cigarette dollar, despite the minimum pricing floors that have been enacted in many states.

Company	1985	1986	Share change
Philip Morris	35.9%	36.8%	+0.9%
RJR Nabisco	31.6	32.4	+0.8
Brown & Williamson	11.9	11.5	−0.4
Lorillard	8.1	8.1	—
American Brands	7.5	7.2	−0.3
Liggett	5.0	4.0	−1.0

Display incentives help

"The only way the category is really profitable for us is with the manufacturers' display allowances, which we take full advantage of," said Gerald Simpson, vp-merchandising, buying and advertising for Drug-Sav in Tyler, Tex. "Without that allowance for putting our cartons on a self-service display in front facing the checkstands, we'd see a maximum gross profit of no more than 10%."

"You're dealing in a lot of turns, of course, but our gross margin for cigarettes is only about 8%," added Martin Rosenstein, vp-merchandising and sundries buyer for Keystone Pharmacy in Omaha. "We have a minimum pricing requirement in our markets, so our bottom line never changes."

Despite the squeeze on margins, drug retailers remain wedded to cigarettes at the front end as a staple, dependable category. "We couldn't live without them," said one buyer. "They're a real traffic draw and a convenience item, and I think they'll remain a big part of our front-end mix."

Cigarettes are likely to generate even more revenues as prices continue to rise, as expected, and tax rates change. Salomon Brother's Temple predicts another 6% increase in cigarette prices later this year from manufacturers, and also foresees a likely doubling of the excise tax on cigarettes this year, from 16¢ to 32¢.

"It's before Congress now, and I think it will go through this year," she said. "When it does, it will likely give a further boost to individual pack sales over carton sales, since price will be a bigger factor than ever."

The price hikes and potential tax increase are also likely to give a further boost to the low-priced and value end of the cigarette market, now pegged at about 9% of the total. With the exception of market leader Marlboro and a few other brands like Lorillard's Newport, most of the real sales growth in cigarettes is confined to the value segment.

"From here on out, this grouping will grow at least one share point a year, if Lorillard and American Brands ever decide to get in at a slightly faster rate," noted Maxwell.

The proliferation of new products and brand segmentation, especially at the value-oriented end of the market, has led to a merchandising headache for most drug chains. In all, the cigarette market now numbers about 300 sku's, compared with just 37 in 1954, the year Marlboro was introduced. The brand segmentation, which shows no signs of letting up, is challenging merchandise managers as never before to make productive use of their space.

The problem is exacerbated by findings from Brown & Williamson that demonstrate retailers must stock 191 different brands and styles to satisfy the tastes of 98% of their customers.

"The number of sku's is ridiculous," exclaimed one merchandise manager. "It's almost impossible to weed out the slower movers effectively on an ongoing basis from the central office. We just let our store managers decide what brands to add and delete, because we want to satisfy as many customers as we can."

"Merchandising cigarettes is very difficult and getting tougher all the time," agreed Keystone's Rosenstein.

Pricing a problem

Pricing can also be a problem for drug chains and independents. With about 9% of the total cigarette market, drug stores are still overshadowed in tobacco sales by supermarkets, with about 30%, and convenience stores, which have about 18% of the market.

"What kills smaller retailers," said Drug-Sav's Simpson, "is when the manufacturers put through a big price increase, and you have to sit on it and stay with the old price until the big supermarkets pass it down."

Price-value category lights up shrinking tobacco market base

Low-priced and value-oriented cigarette entries continue to proliferate as manufacturers target one of the few areas of new sales growth opportunities left in the tobacco market.

Since its introduction five years ago, the price-value segment has made rapid and steady inroads into a shrinking market base and now accounts for at least 9% of sales and some five million smokers.

No-name and private-label generics continue to lead the price-value category, with about 4.5% of the total cigarette market. However, the growing popularity of branded generics—most notably R. J. Reynolds' Doral, which now accounts for about 2.3%of all cigarette sales—is eclipsing the strength of no-name products. Value-pack 25s, which offer smokers 25 cigarettes for the price of 20, are also gaining ground against no-name generics.

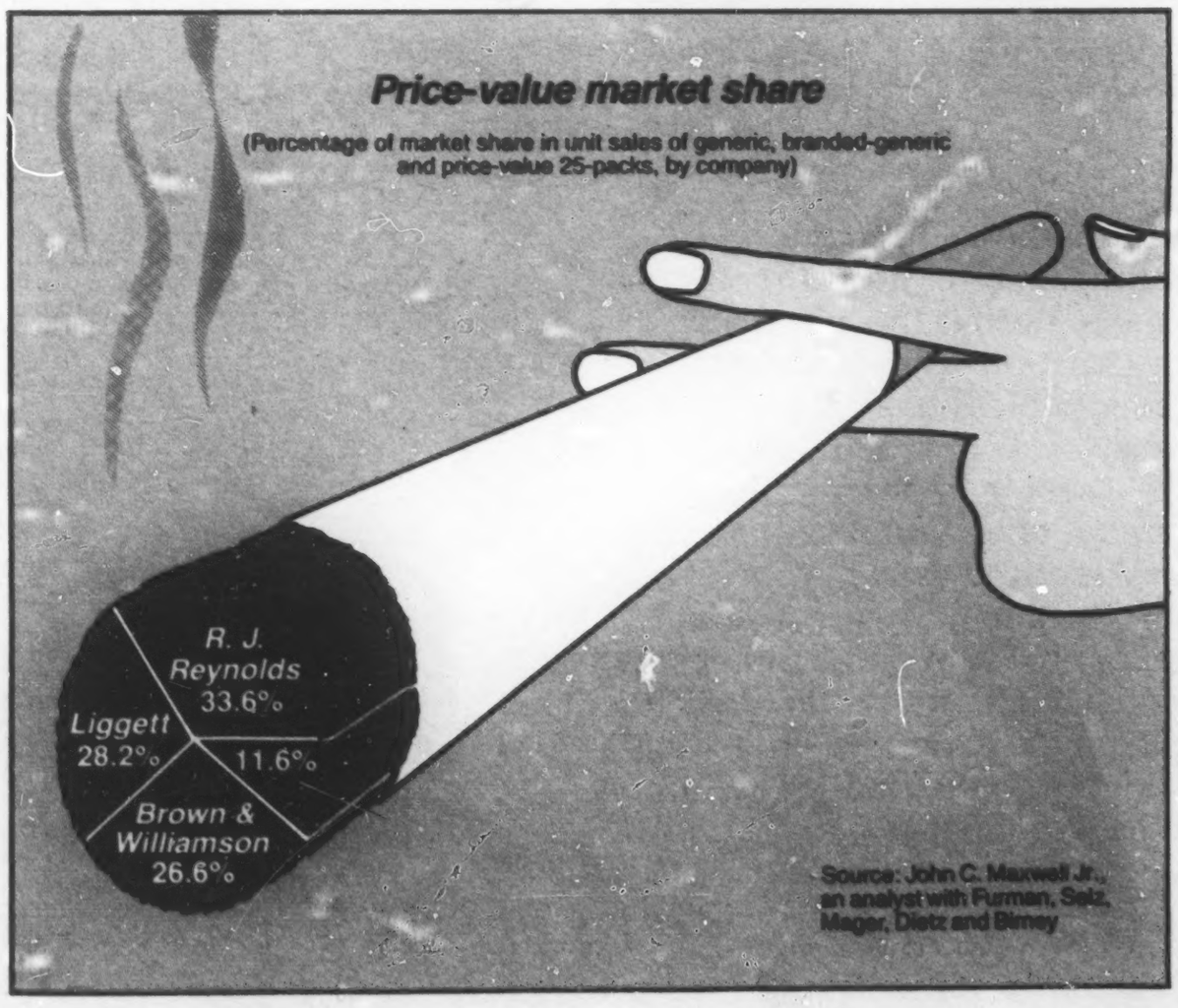
Generic share 'eroding'

"Despite a modest full-year share advance vs. 1985, the generics' [black-and-white or private-label] share position is now eroding," noted John C. Maxwell Jr., tobacco industry analyst.

Branded generics, which offer smokers brand identification at a generic price, now account for about 2.7% of all cigarette sales, according to Maxwell, while value-pack 25s have a 1.8% share. The strength of branded lowballers rests on the success of Doral, which gained nearly a full share point last year, and Philip Morris' Cambridge Lights, which captured a healthy 0.6% of the market following its May 1986 introduction.

Since the initial success of Doral and Cambridge, Brown & Williamson and

Continued on page 27


Price-value market share
(Percentage of market share in unit sales of generic, branded-generic and price-value 25-packs, by company)
R. J. Reynolds 33.6%
11.6%
Brown & Williamson 26.6%
Liggett 28.2%
Source: John C. Maxwell Jr., an analyst with Furman, Selz, Mager, Dietz and Birney

Tobacco TRENDS

Price-value segment a bright spot in dwindling market

Continued from page 24

American Brands have followed Philip Morris and RJR into the branded generic market. B&W is rolling out Falcon Lights, its first entry into that segment, while American Tobacco is expanding the test of its first generic-priced entry, called Malibu, available in 100mm lengths in regular, "lite" and menthol. Falcon will rely heavily on point-of-purchase marketing and will retail for about 25% below traditional branded entries, according to B&W.

Capri launched

"Value-priced brands rely more heavily on promotion at point-of-purchase than traditional forms of advertising," said B&W vp-sales Lanny Butler.

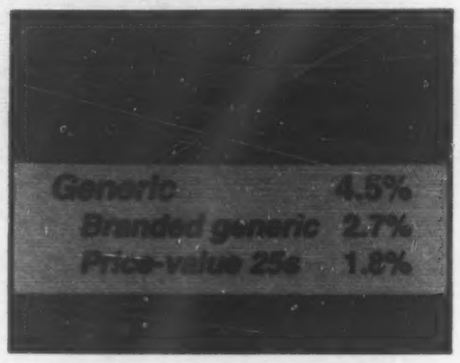
In the full-priced arena, B&W is also launching Capri, an ultraslim cigarette positioned toward women.

Both RJR and Philip Morris, meanwhile, are adding to their strength in the price-value segment. RJR is beginning a 10-market test of Magna, a new low-priced brand aimed at image-conscious smokers. The brand will feature high-tech packaging and package options that include a crush-proof box. The brand will be supported with a major introductory ad splash, as well as coupons and buy-one-get-one-free offers.

RJR is also trading on the success of Doral with three new line extensions: Doral Full Flavor 85s and 100s and Doral Ultra Light 100s.

Value-25 entries

The success of value-25s is also drawing new entries into the market. Pioneered by B&W's Richland brand, the



category has since been fleshed out with other brands like Philip Morris' Players Lights and RJR's Century.

Among full-priced cigarette brands, Philip Morris' Marlboro and Lorillard's Newport stand out as notable exceptions among the 10 top-selling brands, whose sales were otherwise either flat or down last year. In 1986, Marlboro maintained its utter dominance of the cigarette market, with 22.9% of all sales vs. 22.4% the previous year. Newport also continued its strong surge in demand, ended the year with 3.9% of the market and a 12% jump in unit sales over 1985.

Philip Morris' Virginia Slims also enjoyed strong sales last year, aided by the introduction of Lights 120s, and ended the year with a small increase to about 2.9% of the market.

> *'Value-priced brands rely more heavily on promotion at point-of-purchase than traditional forms of advertising.'*
>
> **—Lanny Butler**
> *vp-sales,*
> *Brown & Williamson*

Disposable lighters are solid sellers

Manufacturers of disposable lighters continue to aim at the estimated 50% of American smokers who still rely on matches to light up, but for now, the lighter category continues its modest 3% yearly climb in sales.

The market for disposable lighters reached about 480 million units last year, yielding retail sales of roughly $300 million.

With sales advancing only modestly, the category continues to be marked by heavy infighting for market share among a handful of players. Bic maintains a commanding lead in that market, with 50%-55% of sales. The remaining half of the market is split between Scripto/Tokai and Universal Match/Cricket, each with about 20% of total sales, and a few import brands.

For retailers, the market for disposable lighters remains attractive, despite the lack of huge incremental sales gains. Lighters are high-margin, high-impulse items that lend themselves well to cross-merchandising and checkstand positioning.

"It's a good category—not outstanding, because we're talking about a 79¢ item, but a solid performer," said one chain drug merchandiser. "We can get a gross profit of about 50% when we keep them at full price, and it's a simple category to track."

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Tobacco Plus will assist you in giving the category the kind of attention it needs to be as profitable as it can be, with such services as:

- ☐ Carton & Package Merchandising
- ☐ Carton Shelf & Counter Display Payments
- ☐ Account Business Analysis
- ☐ Liberal Selling Terms
- ☐ Direct Account Incentive Program
- ☐ Generic Program Incentives
- ☐ Systematic Inventory Control

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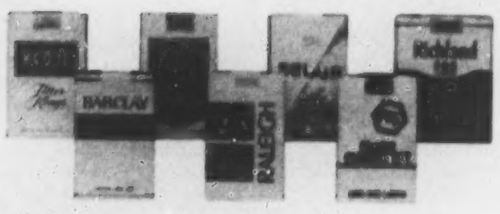

Tobacco Plus

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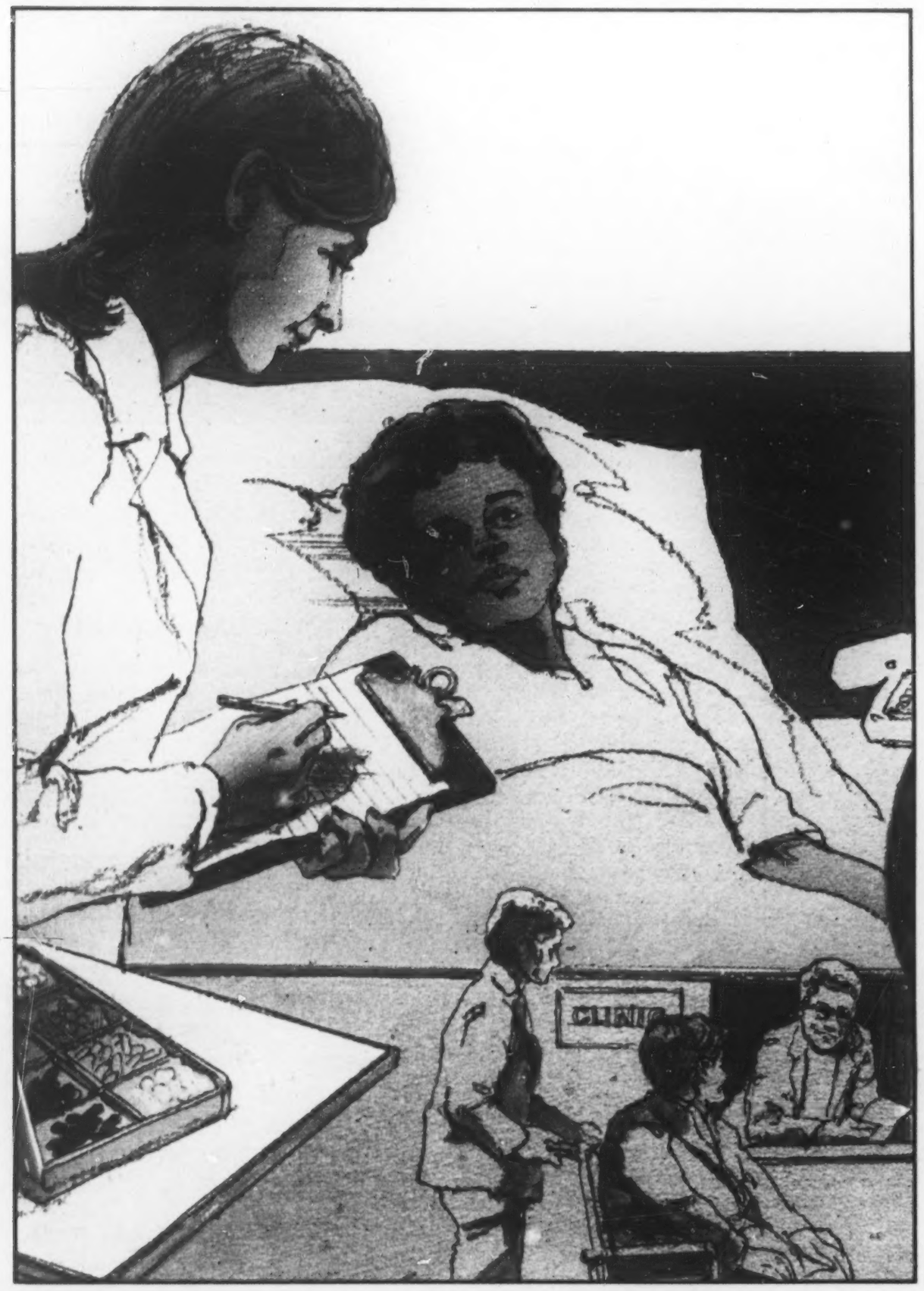
Medical advances to change pharmacist role



By Harold Cohen, R.Ph.

By the year 2000 . . .

—There will be a cure for AIDS . . .
—Two out of every three cancer patients will be cured . . .
—Drug infusion implants will be common . . .
—Widespread use of clot-dissolving drugs will replace most of the coronary bypass operations now performed . . .
—There will be a shift in the balance between traditional psychoanalysis and drug therapy in favor of drugs.

Sound impossible? According to a recently published Lou Harris study commissioned by Bristol-Myers, most or all of these seeming medical miracles will be in place as we usher in the 21st century.

More than 200 world-class research scientists who participated in the study said we will see "remarkable medical advances in the prevention, diagnosis and treatment of many diseases" between now and the year 2000.

Longer life span

What does all this good news mean for the average American? A longer life span. The scientists believe that by the turn of the century, the average life expectancy for women will increase to 82 years, while for men it will be 75. The majority of researchers agree that the No. 1 health threat facing the United States in the next 30 or so years will be diseases stemming from an aging population: cardiovascular disease and mental disorders such as depression and Alzheimer's.

Said one scientist, "Our population is aging, so people live longer, but also acquire more difficulties and diseases like arthritis, musculoskeletal diseases, senility, depression, loneliness—in short, social diseases."

Doctors aren't the only group of health professionals who will face change in the next century. Pharmacists are expected to play an integral role in catering to the medical needs of an aging population.

Pharmacist of tomorrow

Ken Dychtwald, Ph.D., a psychologist and president of the consulting firm of Dychtwald and Associates, believes that increased levels of technology could leave the pharmacist stranded. He believes that if the pharmacist is to survive, he or she must move into areas that will fulfill the needs of aging customers.

"The responsibilities of the pharmacist would become increasingly limited, as the job of filling and documenting prescriptions could be more accurately and cost-effectively handled by computer," said Dychtwald in a paper delivered before a strategic planning conference for the professional pharmacy community entitled "Pharmacy in the 21st Century."

"In a sense," continued Dychtwald, "pharmacists of the future will resemble the old-fashioned apothecary or community druggist of the past

Continued on page IP10

'Consumers are going to demand more from the pharmacist of the future, and that means a higher profile for the pharmacist as a drug consultant.'

—Tim Webster
executive director, American Society of Consultant Pharmacists

'Medicine in Next Century': What researchers predict

Leading medical researchers were asked several questions concerning the direction of medicine in the next century. Their responses were gathered by the well-known polling firm of Louis Harris and Associates and released in a report commissioned by Bristol-Myers.

In the report, titled "Medicine in the Next Century," the 227 scientists said that, overall, the new frontier for medicine in the next century will center around the fundamental understanding of cell mechanism—how life and disease function at the cell level.

In addition, advances in biotechnology will have their effect on several disease states.

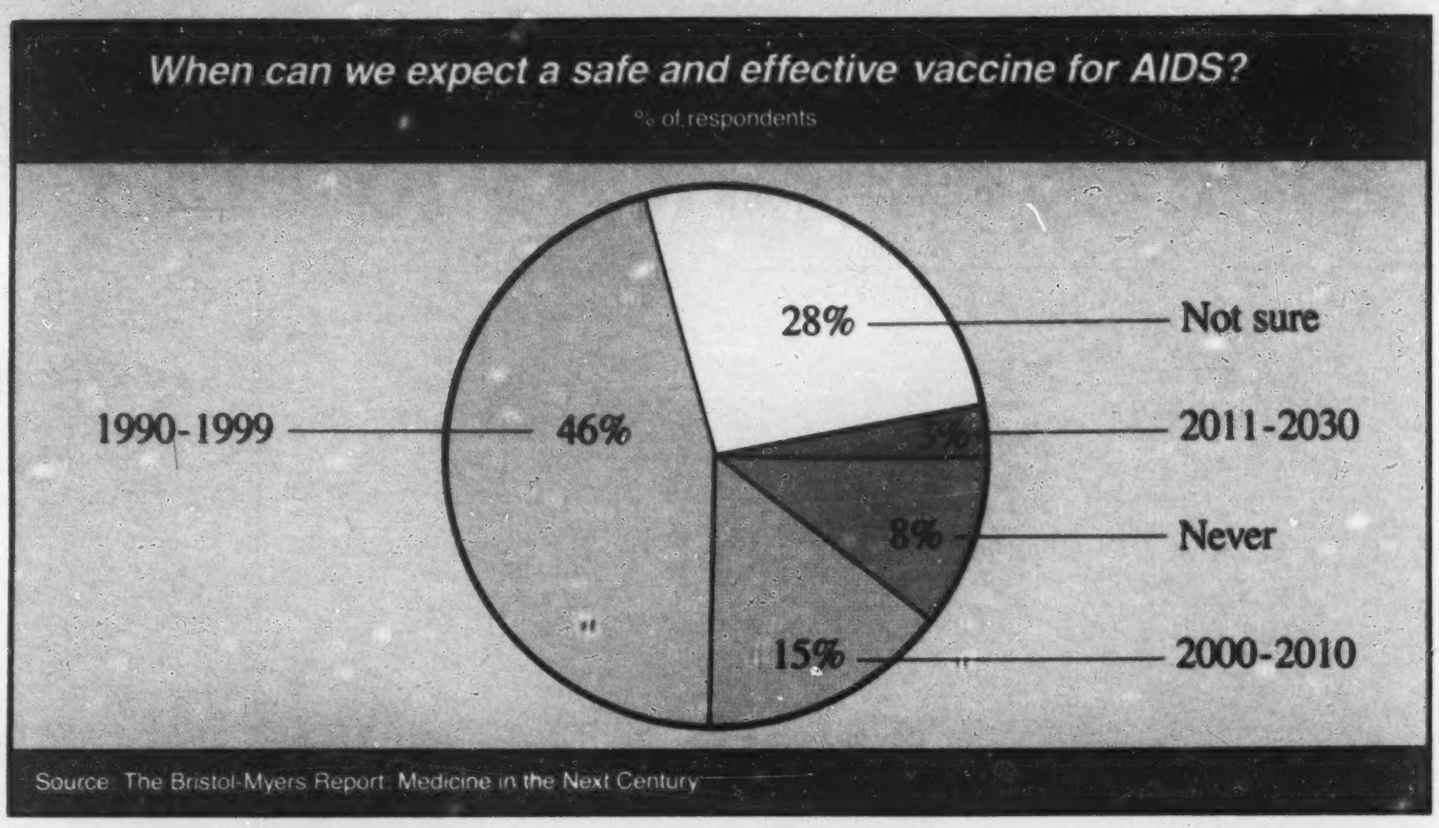
One disturbing piece of news to come out of the study is that the researchers believe there will be more than one million cases of AIDS in the United States by the year 2000.

But on a more positive note, what follows are some of the more exciting predictions to come out of the study.

- Despite the fact that there will be more cases of AIDS by the turn of the century, a majority of the scientists predicted that there will be a cure and a safe and effective vaccine against the killer disease by the year 2010.
- Life expectancy for men will rise from 71 to 75 and for women, from 78 to 82 by the year 2000.
- There will be an improved cure rate for cancer, with doctors curing 2 out of every 3 patients by the year 2000. Almost all of the scientists predicted cure rates of 75% or higher.
- A "smokeless society" will be the most effective strategy in the prevention or treatment of lung cancer.
- Approximately 60% of the researchers believe it will be possible to vaccinate people against certain types of cancer by the year 2000.
- Elimination of the more than 200,000 coronary bypass operations will be replaced by less invasive catheter-based procedures such as balloon angioplasty or the use of clot-dissolving drugs.
- There will be great advances for the treatment of depression and a better understanding of the molecular biology of the brain, with an emphasis on neurotransmitters and the biological basis of psychiatric disorders.
- The greatest improvement in the prevention of infectious diseases is seen for hepatitis, haemophilus and typhoid fever. By contrast, more than half of the scientists interviewed see no progress for preventing the common cold. They are also somewhat less optimistic in assessing improved prevention of sexually transmitted diseases.
- The year 2000 will see the common use of a wide range of artificial devices, including implantable drug infusion systems, implantable hearing aids, artificial blood and bones from bone banks.

A panel of medical science researchers offer their comments on a new study, "Medicine in the Next Century," during a press conference in New York City this month. From left to right are Dr. James Watson, Nobel Laureate and director of the Cold Spring Harbor Laboratory; Dr. Vincent DeVita, president and director, National Cancer Institute, Bethesda, Md.; and Dr. Michael DeBakey, chancellor of Baylor University College of Medicine, Waco, Tex., and director of the DeBakey Heart Center in Houston.

Medical advances to affect pharmacy



Continued from page IP9

who maintained personal contact with and interest in the overall well-being and complex mental, physical and social needs of their customers.

"The pharmacists of tomorrow could serve the overall community good by advising their clients on remedies and drugs, educating them on health-related concerns and monitoring their involvements with assorted medical and self-care regimens," said Dychtwald.

High-tech drugs

According to the Harris study, one of the most promising areas in biotechnology research will be the increased understanding of how genes work and the development of genetically engineered vaccines, with emphasis on monoclonal antibodies.

Undoubtedly, the pharmacology of drugs developed by genetically altered microbes or cells will be more complicated than drugs developed by conventional means.

"The pharmacy of the future may well stock pumps, patches, timed-release pills, liposomes, implants and vials of tailored monoclonal antibodies," predicts William Check, Ph.D., former associate editor of the *Journal of the American Medical Association* and now involved in his own medical and scientific communications business. "One could also imagine that the pharmacist of the 21st century will handle gene-splicing enzymes and nucleic acid precursors for individualized gene therapy."

Consulting role to grow

Check believes that although pharmacists' future role will be altered, the pharmacist definitely will not disappear.

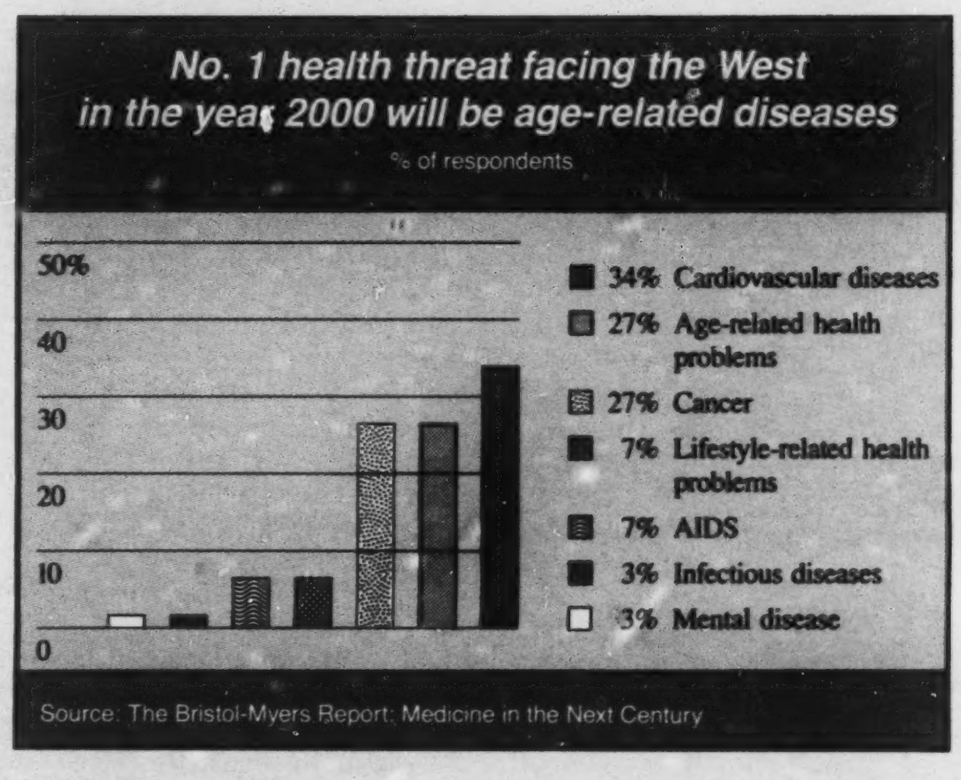
"People like to talk to people, not just machines," said Check. "The pharmacist of the future must be informed enough to cope with [high-tech drugs and procedures]—not just with doses and administration schedules, but with the basic mechanisms by which drugs act."

Tim Webster, executive director of the American Society of Consultant Pharmacists (ASCP), told *Drug Store News* that he also believes the pharmacist will play a key role in explaining the complexities of 21st-century drugs to consumers.

"Pharmacy's future lies not so much in selling drugs," said Webster. "Consumers are going to demand more from the pharmacist of the future, and that means a higher profile for the pharmacist as a drug consultant."

Webster agrees with Dychtwald's prediction that pharmacy as we know it today probably will not exist in the year 2000.

"Even today, we are seeing more and more pharmacists taking on a more professional role," said Webster. "Today's drugs are already being viewed by many consumers as just another commodity. The drugs of the future will be more complex. Consumers are going to want more information."



'More tuned in'

M. Keith Weikel, Ph.D., former commissioner of the Medical Services Administration, which administers the Medicaid program, asserts that competition will change pharmacists' roles.

"The 1980's and 1990's will be characterized by the development of real, perhaps even fierce, competition at all levels of our economy," said Weikel. "Increased competition in health care will be for resources of all types—for patients, capital, cost-effective technology, quality physicians, market share and for hospitals. The deliverer of health care, whether it be a hospital and some freestanding institution, a physician or a pharmacist, is going to have to be more tuned to the needs and desires of potential patients if they are to be successful."

ASCP's Webster believes if pharmacists don't take up broader roles as health consultants, "they won't have any role in the future of health care delivery" in this country.

According to Webster, the trend toward new roles for pharmacists has already started, as evidenced by the dramatic growth of ASCP's membership.

Since 1976, membership in the consultant organization has grown from 871 to more than 2,500—an average yearly growth of roughly 12% in that period.

According to a survey recently undertaken by the ASCP, its members have shown a strong commitment to expanding their professional knowledge base to keep up with the changing pharmacy environment in which they work.

Over half of the membership hold a Pharm. D. degree, and more than a third hold the M.S., while 11% have earned a Ph.D. or M.D. degree.

Specialized knowledge

Although these pharmacists are engaged in some form of consulting services, the majority (49.3%) provide their services as part of a typical community pharmacy practice.

"What this all boils down to is that there is an increasing value to information that can be obtained from the pharmacist," said Webster. "As the drugs we take become even more sophisticated, so does the value of that information."

Webster predicts that pharmacists will eventually leave the filling of prescriptions to licensed technicians and will make a living solely from being a consultant.

So far, only 6.4% of ASCP's membership is engaged full-time in providing consultant services as their primary source of income, and another 10.9% does so on a part-time basis as a supplement to a regular job.

Consultation paths

But as advances in medical technology keeps people alive longer, the need for nursing homes and at-home care will also increase.

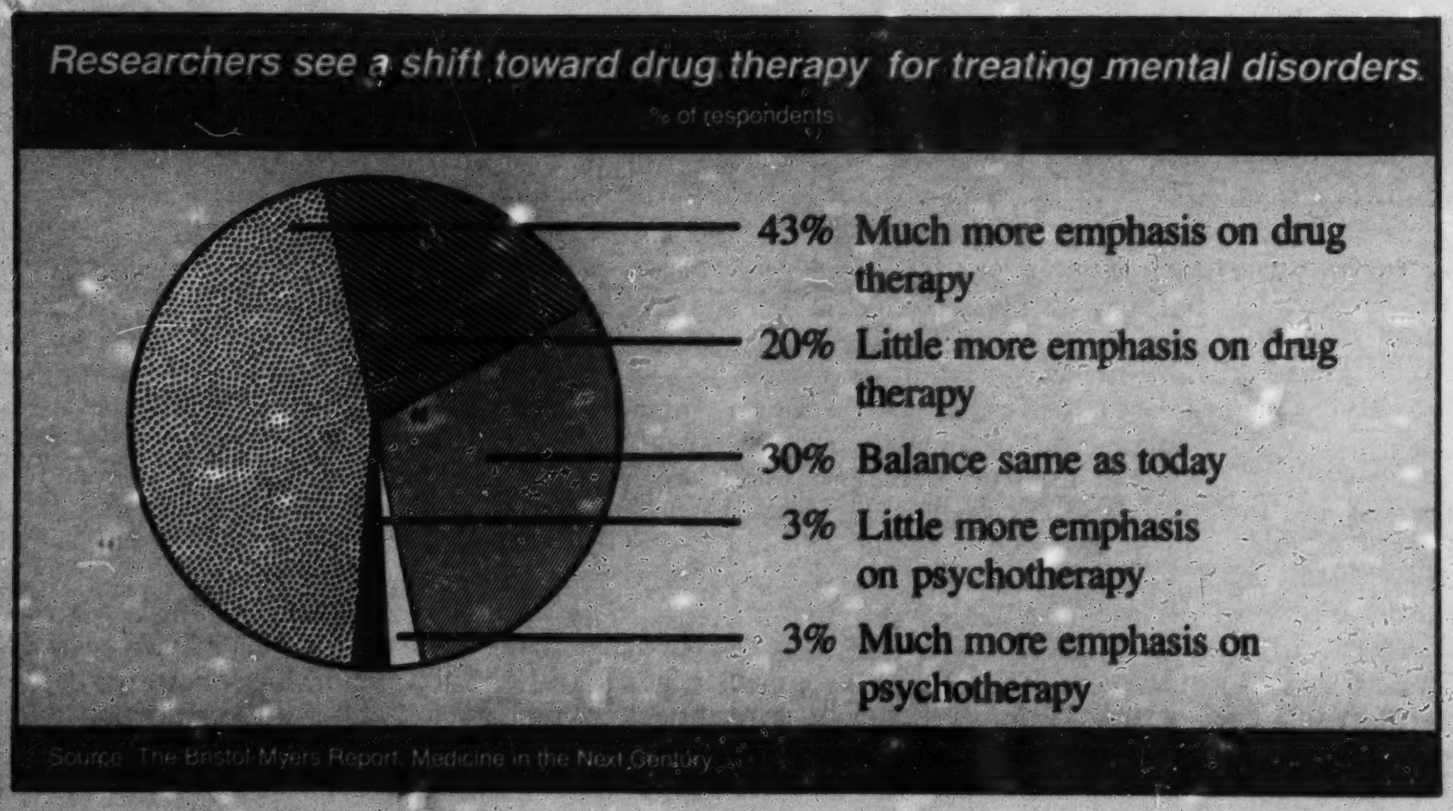
Currently, 12.9% of ASCP's members are providing consultant services to nursing homes or other institutions as their only business.

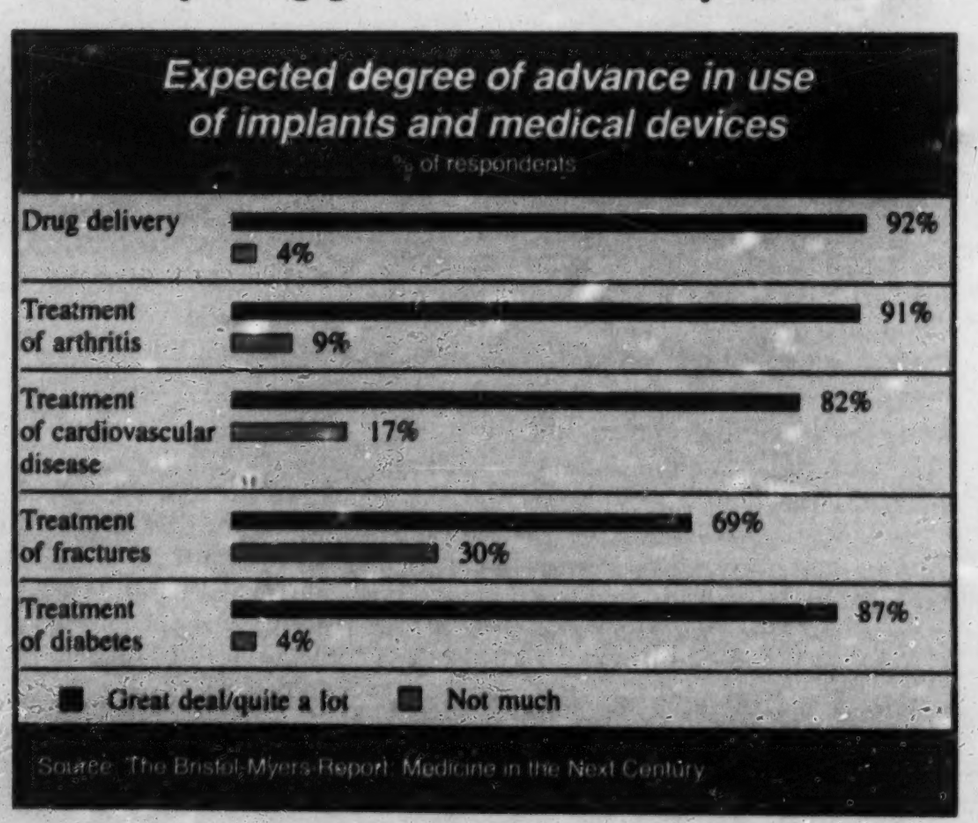
According to ASCP's survey of its membership, the consulting trend is certainly not limited to nursing homes.

Other areas of pharmacy consultation include hospital, home health agencies, prisons, industry, mental institutions, alcohol or drug rehab centers, HMOs, hospice units, and adult day care centers.

'The deliverer of health care, whether it be hospital or some freestanding institution, a physician or a pharmacist, is going to have to be more tuned to the needs and desires of potential patients if they are to be successful.'

—M. Keith Weikel, Ph.D.
former commissioner, Medical Services Administration


Researchers see a shift toward drug therapy for treating mental disorders
% of respondents
43% Much more emphasis on drug therapy
20% Little more emphasis on drug therapy
30% Balance same as today
3% Little more emphasis on psychotherapy
3% Much more emphasis on psychotherapy
Source: The Bristol-Myers Report: Medicine in the Next Century


Expected degree of advance in use of implants and medical devices
% of respondents
Drug delivery 92% 4%
Treatment of arthritis 91% 9%
Treatment of cardiovascular disease 82% 17%
Treatment of fractures 69% 30%
Treatment of diabetes 87% 4%
Great deal/quite a lot
Not much
Source: The Bristol-Myers Report: Medicine in the Next Century

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April 13, 1987

THE 1987 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

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Merchandising:
May's plans strategy for future growth—p. 24

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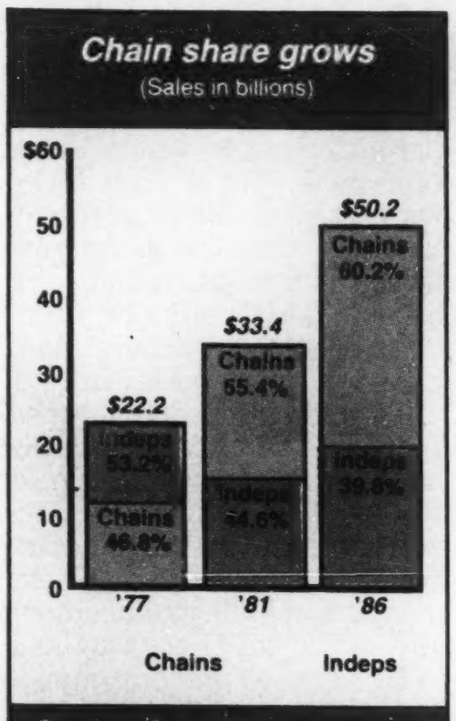


Drug chains once again increased their share of total industry business, to 60.2% in 1986. See *Drug Store News* 1987 Annual Report, page 55.

Revco appoints Edwards to ceo spot

Top-level changes set management team of future

By Jim Frederick

TWINSBURG, Ohio — In a sweeping series of appointments, Revco president and coo Bill Edwards has succeeded chairman Sid Dworkin as chief executive officer of Revco and its parent company, Anac Holding Corp. Dworkin, a co-founder of the nation's largest drug chain, will remain board chairman.

Dworkin told *Drug Store News*, "I will continue to handle corporate policy, public affairs, the divestiture of certain divisions, and most important, preparing Revco for the year 2000."

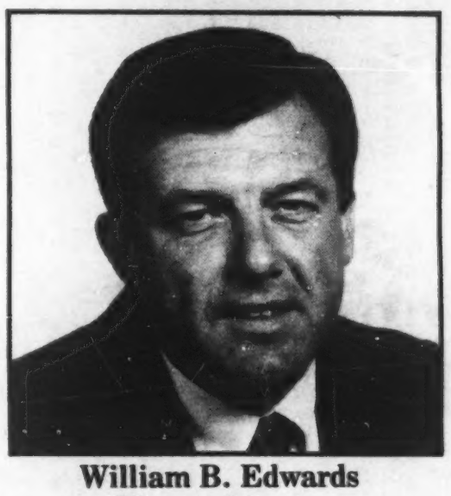
Simultaneously, Revco announced the departure of R. Carroll Hudson as chief financial officer and the election of three new, independent directors of Revco and Anac.

In a statement April 1, Dworkin said the appointments reflect "the building of a larger and strengthened Revco management team to lead the chain's future growth."

Full responsibility

The shift in duties gives Edwards, 46, full management responsibility for the 2,000-store drug chain and leaves Dworkin free "to devote his primary energies to strategic planning for the company's long-term growth, and to implementation of the divestiture program undertaken in connection with the management-led leveraged buyout of Revco in late 1986," according to the company. Those planned divestitures include seven Revco divisions, including Carter-Glogau Laboratories, Private Formulations and Leading Software Technology, as well as some 100 marginally profitable Revco drug stores around the country.

Revco spokesman Stanley Rubenstein said the shift in duties between Dworkin and Edwards grew out of a "consensus" by Revco and Anac board members, including inside managers and outside directors. "They've been discussing the change for a while," he said. "Everybody recognized that there would be changes once the new board was in place following the buyout."



William B. Edwards
Elevated to ceo

Conflicting stories have arisen, however, over Dworkin's exit from Revco's day-to-day management. Some industry insiders say the 66-year-old chairman harbored a

See **Revco,** *page 147*

Rite Aid Superdrug sale adds flex to fiscal picture

By Al Heller

SHIREMANSTOWN, Pa. — Rite Aid's $102 million sale of its 28.2% interest in British health and beauty aids chain Superdrug Stores PLC to Woolworth Holdings PLC brought a highly profitable end to a 16-year investment for the nation's No. 6 drug chain.

But because this comes on the heels of its shelf registration to issue $200 million in long-term bonds, and its recent aggressive takeovers, industry watchers sense that Rite Aid will be on the prowl again before long—only next time they will be armed with lots of fresh cash and financing.

See **Rite Aid,** *page 147*

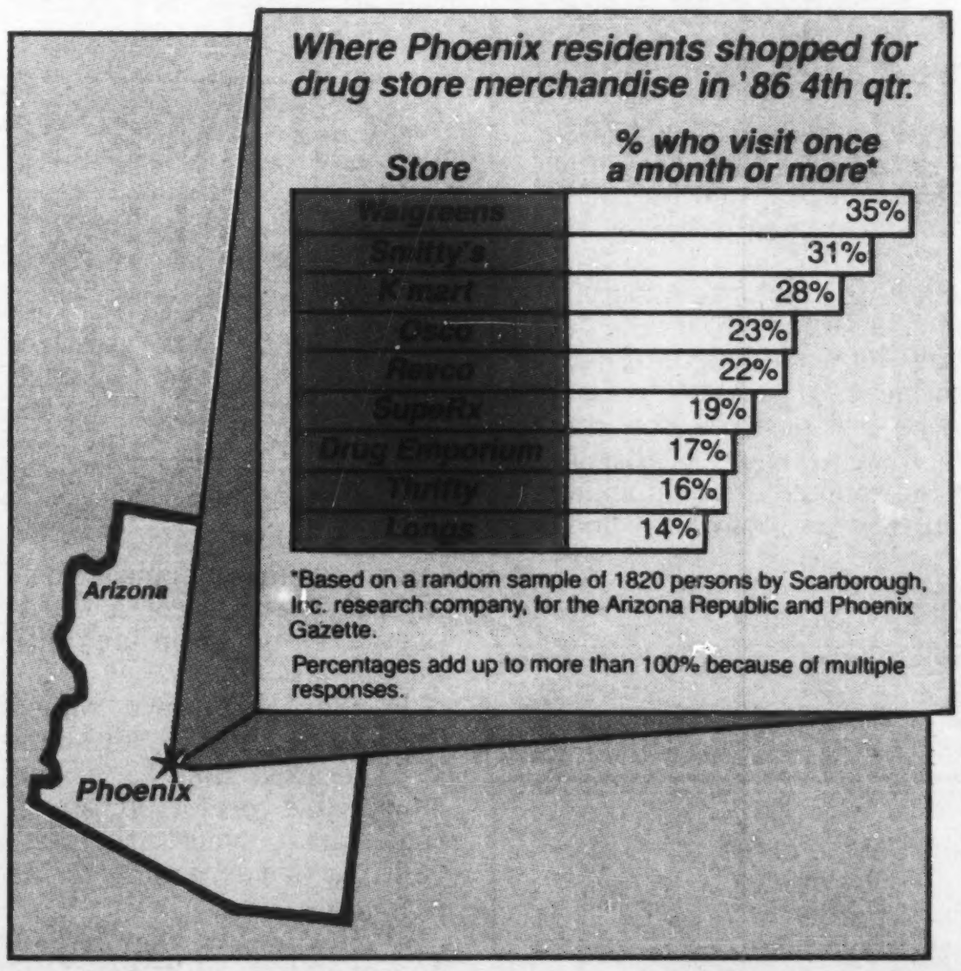
Chain turns around net earnings slide

SHIREMANSTOWN, Pa. — Rite Aid just halted its two-year net earnings slide with a dramatic turnaround.

Ever since the chain's net income peaked at $74.2 million in the fiscal period ended early 1984, net slid to $69.9 million in the next 12 months, then to $62.5 million the following year.

Net income in the 12 months ended Feb. 28 jumped to $77.98 million

See **Earnings,** *page 147*


Where Phoenix residents shopped for drug store merchandise in '86 4th qtr.
Store
% who visit once a month or more*
Walgreens 35%
Smitty's 31%
Kmart 28%
Osco 23%
Revco 22%
SupeRx 19%
Drug Emporium 17%
Thrifty 16%
Longs 14%
*Based on a random sample of 1820 persons by Scarborough, Inc. research company, for the Arizona Republic and Phoenix Gazette.
Percentages add up to more than 100% because of multiple responses.
Arizona
Phoenix

Wolken targets growth in 2 hot Sunbelt markets

By Dave Vaczek

PHOENIX — SupeRx Corp. will use 28 stores here and 10 in Atlanta as springboards for growth in these two hot Sunbelt cities.

The 47-store chain—acquired by SupeRx managers for $30 million last month—can develop local marketing and merchandising flexibility the stores lacked as part of a multi-regional chain under Kroger.

SupeRx Corp. has the best leverage in Phoenix, where 28 stores have key sites and where the population will continue to grow at a rapid clip, according to market sources.

"They're well placed, in

See **Wolken,** *page 147*

LATE NEWS

• HAZELWOOD, Mo. — Wal-Mart will soon have nine Dot deep discount stores, after opening one in Kansas City on April 7, another in Lincoln, Neb., on the 14th, and a unit here in June.

• MEDINA, Ohio — Discount Drug Mart, the 22-store private chain, posted net earnings up 33% from depressed results of the past year, on sales of $94 million, up 8%, for the year ended March 31.

• HOFFMAN ESTATES, Ill. — Dominick's Finer Foods has opened its newest food/drug combo in this suburban community 15 miles northwest of Chicago. The chain now has 10 combo stores open in the Greater Chicago market and will open its first Omni superwarehouse store this month in nearby Orland Park.

Maxidrug: A new deep discount twist

WEST SPRINGFIELD, Mass. — Maxidrug is a different breed of deep discounter.

It is smaller than most, positions itself as a health care store, sells limited general merchandise, uses mostly conventional fixtures and anchors rear corners with a service cosmetics bar and pharmacy.

The 12,000-sq.-ft. (selling space) store, which opened here March 26, is the first of four New England sites The Jean Coutu Group (PJC) USA plans to open by late summer.

An 18,000-sq.-ft. (selling space) prototype is being developed for New Bedford and Pittsfield, Mass., sites to open in early June, and East Springfield, Mass., to open by August. The Coutu U.S. subsidiary will own all sites except Pittsfield, which has a 20-year lease, Jean Coutu, chairman of the parent, told *Drug Store News*.

Committed $13M

The Canadian owners have already committed $13 million in startup costs for the first four stores, Coutu said. The company had originally allocated $25 million (Canadian)—more than half its gross from a $48 million initial public stock offering in 1986—to gain sites for, equip and inventory 12 Maxidrugs over the next three years.

According to vp George Neville, the site purchase strategy is meant to "build our asset base so we [the U.S. subsidiary] can be financially autonomous in three years. We'll be acquisition-minded."

Indeed, the company, headed by Michel Coutu, who relocated here to run the business, bought Ryan's, an indepen-

See **Maxidrug,** *page 147*

NEWS IN BRIEF

Bindley promotes 2 in drug division

INDIANAPOLIS — Bindley Western Industries has finished a two-year restructure by naming two employees to top positions in its main drug wholesale division.

C. Richard Zartman, an 11-year employee who was most recently an executive vice president, was named president and ceo of the Bindley Western Drug Co. Also, Gregory Beyerl has been promoted to comptroller, from assistant comptroller in the Bindley drug company, which is the main operating division of Bindley Western Industries. Beyerl has been with the company since February 1986.

The appointments cap a restructure of top management that Western Industries president William Bindley has said will position the midwestern company to aim for $1 billion in sales in 1987.

NHMA announces 2nd housewares show

CHICAGO — The National Housewares Manufacturers Association has reinstated a second housewares show in 1988. It will run July 11-14 at McCormick Place East here. The show will not be organized by product categories, the trade group said.

Fantle elected to Fay's Drug board

LIVERPOOL, N.Y. — As expected, Sheldon "Bud" Fantle was elected to the board of Fay's Drug Company at a March 19 meeting of directors. Fantle retired recently from the chairmanship of Peoples Drug Stores.

Malone & Hyde promotes MacIntosh

MEMPHIS — Malone & Hyde Drug Stores has promoted David MacIntosh, 38, to the post of vp-pharmacy. He succeeds the late W. Ray Hackney, who died of cancer last month at the age of 52. Hackney was senior vp-pharmacy.

MacIntosh has served as Memphis area district manager for Super D Drug Stores since 1981, after six years as a Super D store manager.

Malone & Hyde operates 105 drug stores in the Southeast under the names Super D, Petty's, Consumers and Pay-Rite.

Bergen launches 'Drug Free Workplace'

ORANGE, Calif. — Bergen Brunswig Corp. will establish a "Drug Free Workplace" program June 1, said president Robert E. Martini. He called the program "preventative," and said it will emphasize education and rehabilitation.

Now through June 1, through its employee assistance program, Bergen will give workers up to two weeks paid leave for medical treatment and 100% paid medical benefits for drug dependency treatment.

After June 1, employees who test positive after drug screening tests will be placed on medical leave of absence, be required to get medical attention and drug rehabilitation. When employees return to work, they'll be under probation for 12 months.

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Vol. 9, No. 8 April 13, 1987

Sherwin-Williams solicits bids for 358 Gray stores

By James Frederick

CLEVELAND — Sherwin-Williams denies that it has set a deadline for the sale of its 358 remaining Gray Drug Fair stores to former Gray president Carl Bellini, but Gray's parent company has reopened talks with other potential buyers about the sale of the chain.

Those talks come amid growing concern over the ability of Bellini and the investor group he leads, to raise the estimated $100 million to $150 million needed to purchase Gray from the paint and coatings giant.

In a related development, S-W finalized in mid-March the sale of 103 Gray and Drug Fair stores in Florida and Baltimore to Rite Aid Corp.

Bellini has reportedly gone to both Citibank and The Trump Group in efforts to pull together a financing package to complete a leveraged buyout for the rest of the chain. The Trump Group, a New York-based investment company headed by Eddie and Julius Trump, was instrumental in the leveraged takeover of Pay 'n Save Corp. two years ago for $360 million.

According to one source, Bellini also received loans at the end of last year from Sherwin-Williams at 5% interest.

Sherwin-Williams spokesperson Diane McCormick characterized as "speculation" rumors that Bellini's bid for Gray was in trouble, or that Sherwin-Williams was growing impatient to close the deal, first struck in December. "Those reports are just speculation," she said. "No deadline has been set for Mr. Bellini."

> *'They wanted me to have a look at the contract as agreed upon by Bellini . . . We have some major points in that contract we're not satisfied with . . . Sherwin-Williams is a difficult seller.'*
>
> **—Al Towle**
> *former Gray president*

She acknowledged, however, that "other parties have expressed interest."

Towle still interested

Chief among those parties is former Gray president Al Towle, whose bid for Gray has essentially remained on the table since Bellini won a bidding war for the Gray contract in December. Towle told *Drug Store News* that Sherwin-Williams contacted him again in mid-March. "They wanted me to have a look at the contract as agreed upon by Bellini, and my lawyers and I have gone over it in the last week," Towle said. "We don't like it. We have some major points in that contract we're not satisfied with."

The problems had to do with "contractual issues," Towle said, rather than the asking price for the stores. "There are certain representations and warranties having to do with taxes and real estate that we're not happy with," he noted, adding, "Sherwin-Williams is a very difficult seller."

Warehouses in dispute

Towle declined to discuss specific issues, but a market observer on the East Coast familiar with the sale said the parent company wants to retain ownership of Gray's two warehouse facilities in Cleveland and Alexandria, Va., and lease them to the chain's new owner. "That's a major stumbling block for the investment bankers," the source said.

The same observer noted that sales and profits at Gray have suffered over the past two months, as the impending sale has distracted upper management and disturbed the morale of middle management and store-level employees.

In another development, former Peoples Drug Stores chairman Sheldon "Bud" Fantle has denied published reports that he was interested in acquiring all or part of the Gray stores. Instead, said one observer, Fantle may attempt a deal with Peoples for its Lane Drug division, headquartered in Toledo, Ohio.

SGC waits for other players while Haft raises bid to $1.8B

WOODBRIDGE, N.J. — Supermarkets General is facing dwindling ways to dodge the Dart Group's hostile takeover attempt.

By raising its bid on March 24 to $1.8 billion, Dart has made potential takeover defenses, such as a management leveraged buyout or a third-party rescue from a white knight, less likely.

Few analysts have valued SGC above the $45 per share ($42 in cash and $3 of exchangeable preferred stock) that Dart's owners, the Haft family, were proposing at presstime.

Meanwhile, no new bidder has emerged, although SGC has reportedly sent information to 20 inquiring parties.

Scotched friendly merger

SGC management, for its part, seemed to snuff any potential for the friendly merger the Hafts said they sought, when it issued a stinging letter asserting the Hafts had placed the credibility of SGC management in doubt. It said, "No transaction involving trust and confidence can be entered into with you."

The letter was prompted by what SGC termed "propaganda and misstatements" in a statement by Dart president Robert Haft, in which Haft suggested SGC management is primarily concerned about receiving a $33 million "goody package" for themselves.

While SGC has said it is awaiting a report from Shearson Lehman on its alternatives, its behavior after several meetings with the Hafts goaded them into making a higher offer.

Latest offer

As part of the latest offer, the Hafts said they will give SGC shareholders a continuing common stock interest in the new acquiring company.

Dart said it will pay for the buyout with $750 million in subordinated debt raised by Kidder, Peabody, plus $950 million more in senior debt. The remainder will come from Dart itself, which has compiled a formidable war chest in two years of investing in companies it has marked as takeover targets.

Supermarkets General operates variety of food and drug store formats

Division	Food	Drug	Format
PATHMARK			
Pathmark drug stores	—	29	Conventional
Pathmark Super Drug	—	9	Deep Discount
Pathmark Super Store	27	—	Food with pharmacies
Pathmark Super Center	110	—	Food/drug combo
PURITY SUPREME			
Pharmacity Drugs	—	14	Conventional
Heartland Drugs	—	13	Deep discount
Purity Supreme Supermarkets	42	—	Conventional
Purity Supreme Superstore	6	—	Food/drug combo
Heartland Warehouse	15	—	Warehouse food
RICKEL HOME CENTERS	45	—	
LIL' PEACH CONVENIENCE STORES	63	—	

Source: Supermarkets General

TRENDS

Chains link their anniversaries to big promotions

Anniversary celebrations have been the fuel driving incremental sales gains for several major drug chains in the past year, and more chains are drawing plans to tie upcoming anniversaries into big promotional campaigns this year or next.

Among the biggest: Eckerd Drug Stores, which will mark its 35th year in business this fall with a major promotional splash, and Longs Drug Stores, which is beginning to gear up for its 50th anniversary in 1988.

"We'll be looking at it both from a promotional and company angle, and we'll try to tie in a major sales event this fall," said Ken Banks, vp of advertising for Eckerd. "We're just beginning to draw up our plans, but we'll probably kick off the event about the first of November."

Anniversary milestones have long been a source of promotional activity for the chain drug industry, many of whose members can trace their roots back several decades or more.

Marking those events can be a real public relations bonanza, conveying stability and public confidence in a drug chain and providing a platform for image-boosting media events. In the short run, such an event can propel immediate gains in sales and customer traffic with promotional tie-ins; over the long haul, it can strengthen a chain's market position and consumer trust.

"Our 50th [anniversary] was a big success, both as a promotional event and as an image-builder," noted Thrift Drug Company advertising manager Tom Sigerstad last year.

Boost employee morale

Internally, anniversary splashes can also yield an important plus as a means to bolster employee morale and involvement. Perry Drug Stores, for instance, focused on its 30th anniversary this year in its recent spring/summer merchandising seminar, and Lawton's Drug Stores in Atlantic Canada drew its 750 employees into its 100th anniversary with cash-incentive contests, costumes and free mementos.

Lawton's is marking its first century in business with a full year of promotional activities generated by both stores and headquarters, in one of the biggest such events ever hosted by any drug chain. The chain opened the year-long celebration last fall with a radio address by chairman Bill Richardson broadcast throughout Canada's Maritime Provinces. To tie into the event, Lawton's unveiled a new corporate logo and a new musical theme, based on "Lawton's 100th Birthday Celebration and Second Super Century."

Lawton's has also taken advantage of the anniversary milestone to spruce up its stores and advertising, with new, full-color circulars and in-store signs. To kick off the event with a party atmosphere, stores were filled with colorful decorations, and store employees wore straw hats and other period costumes.

Sales were encouraged with consumer giveaways, including shopping sprees and Lotto Lawton's, a scratch-card sweepstakes featuring vacations, cars and other prizes.

Perry, which marked its 30th year in business this winter, boosted sales with a special savings coupon book offering a total of more than $600 in savings to customers. The book opens with a letter to Perry customers from chairman Jack Robinson and drug store division president Mickey Kole, thanking shoppers for 30 years of business and reaffirming Perry's commitment to "the highest standards of customer service."

Vacation sweepstakes

Perry is also offering, in joint sponsorship with Pepsi-Cola, a free 10-day vacation anywhere in the world. Customers had to fill out entry blanks in the coupon book and deposit them in a Perry store to win.

"We had other big plans for our 30th, but we had to scale them back as part of our cost-cutting program," a Perry spokesman added.

Another recent milestone was Dunaway Drug Store's 60th year in business, celebrated by the Marietta, Ga.-based chain last September. The 18-unit retailer promoted the event with a major television splash in metropolitan Atlanta, as well as an extensive circular featuring significant price reductions throughout the stores. To boost traffic, Dunaway sponsored a customer giveaway featuring a grand prize of a diamond ring or a Hawaii vacation.

During the sale month, the chain also keyed into the theme by rolling back prices on a few items to 1926 levels. "We had nickel cigars, candies and Cokes, and the customers really responded to that," said chain president Bill Dunaway.

Dunaway also generated publicity with an essay contest for fifth graders, themed: "How to Stay Healthy in the 80's." Contest participants were treated to an awards banquet in January, with savings bonds presented to winners.

Dunaway termed the promotion a resounding success in boosting the chain's visibility in greater Atlanta.

Major splash planned

Also planning a major promotional splash is Newark, Del.-based Happy Harry's Discount Drugs, which celebrates 25 years in business this coming October. "We'll try to build excitement for the upcoming event, beginning this spring with some minor giveaways and building to a big giveaway event in October," noted Leigh Wilson, vp of administration, personnel and public relations for the 19-store chain. "We're planning a month-long celebration with the theme: 'Delaware's Drug Store for 25 Years,' and we hope to tie that into a major sales campaign, with a number of circulars based on the anniversary."

Not all drug chains mark significant anniversaries with big promotional tie-ins. Rite Aid has "no big promotional plans" to mark its 25th anniversary this year, a company spokesman said. Nor did Warren, Mich.-based F&M Distributors, which passed its 30th year in 1986.

Health (mental and physical)

Beauty and grooming

Consumers rank magazines No. 1 health, grooming info source

NEW YORK — Consumers ranked magazines No. 1 as a source of information on health, beauty and grooming and said they found the advertising more inviting and useful than that available through television, radio or newspapers, based on a study conducted by Audits & Surveys Inc. for the Magazine Publishers Association.

The preference spread for magazines over other media forms was widest among women readers, especially those who had attended college. Eighty-one per cent of women surveyed found magazines most informative when it came to beauty and grooming. By comparison, only 11% of that college population preferred television, and 4% selected newspapers. Less than one-half per cent would listen to the radio for beauty and grooming information; the balance had no opinion.

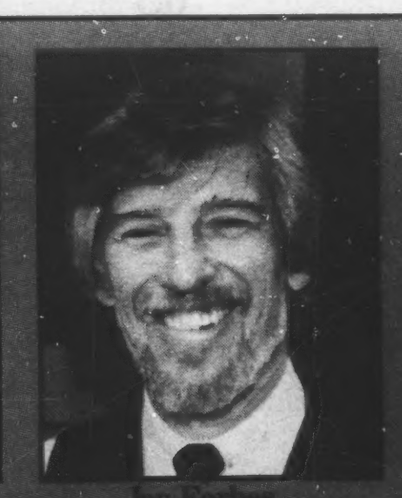
The overall U.S. average for women was 74% in favor of magazines as a beauty and grooming source. Fifty-seven per cent of U.S. men opted for magazines for this information.

When it came to health topics, television came in a clear second. Fifty-seven per cent of U.S. women preferred magazines, 23% chose television and 10% read newspapers for health-related articles.

Men voted much the same way: 54% in favor of magazines, 22% television, 12% newspapers.

In terms of advertising, 89% of women said magazines were "appealing," and 88% said the ads "keep me posted on new products." The most frequently cited pitfalls of magazine advertising included "exaggerated-/misleading" advertising 40%, and boring/monotonous, 30%. The women also found television exaggerated and misleading, but 23% more (63%) said they felt that way. Sixty-one per cent found commercials "annoying/irritating."

Vern Brunner



Jay Forbes

Ted Gladson

AHBAI meeting features speakers

PALM SPRINGS, Calif. — Vern Brunner, senior vp-marketing at Walgreen, was set to be keynote speaker at the American Health & Beauty Aids Institute (AHBAI) Mid-Year Conference, April 8 to 12 here.

Brunner's talk on Saturday, April 11, covers "current industry and business dynamics in the ethnic H&BA industry from a retailer's perspective," according to AHBAI. He will be speaking to an audience that includes executives from Supe'Rx, K mart, Kroger, Zayre and McCrory's.

In addition, *Drug Store News* publisher Jay Forbes is talking on "Strategies for Share: An Overview of Drug Store Retailing and Ethnic H&BA" on Thursday, April 9.

And Ted Gladson, president of Gladson & Associates, will discuss shelf space management in his presentation on "Planograming by Performance" on Friday, April 10.

AHBAI will also present awards to Walgreen, Zayre and Giant Food Stores as retailers of the year in their respective classes of trade, the association said.